

CROATIA NGO SECTOR ASSESSMENT

PURCHASE ORDER No. 160-0210-04-003

FINAL REPORT

"BUILDING UPON STRENGTHS, PERFORMANCE, AND PARTNERSHIP"

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KEY:

AED	Academy for Educational Development
CSR	Corporate Social Responsibility
DFID	Department for International Development (Great Britain)
EC	European Community
EU	European Union
GMO	Genetically Modified Organism
GOC	Government of Croatia
HHO	Croatian Helsinki Committee
ICNL	International Center for Non-Profit Law
ICT	Information and Communication Technologies
IRC	International Rescue Committee
M&E	Monitoring and Evaluation
NGO	Non-Governmental Organization
PLI	Partner for Local Initiatives (AED affiliated Grant-Making NGO)
PNGO	Partner for NGO Sustainability (AED Affiliated Sub-Sector Anchor NGO)
SDF	Serb Democratic Forum
TA	Technical Assistance
TI	Transparency International
TOT	Training of Trainers
USAID	United States Agency for International Development
USG	United States Government
UZU	Government Office for Cooperation with NGOs
VAT	Value Added Tax

CROATIA NGO SECTOR ASSESSMENT

“BUILDING UPON STRENGTHS, PERFORMANCE, AND PARTNERSHIP”

1 EXECUTIVE SUMMARY

Purpose of Assessment

Between 26 January and 14 February 2004, a two-person team undertook an assessment of Croatian civil society for the purposes of: (1) Evaluating USAID/Croatia's involvement and assistance to Croatian civil society and the tangible results of that effort; (2) Assessing the Croatian NGO sector and its potential to generally promote future economic, political, and social development in Croatia, the country's accession to the EU, and membership in Euro-Atlantic institutions, and; (3) Providing recommendations for the future direction of any USAID civil society assistance, highlighting the most appropriate fits with USAID/Croatia's graduation plan. During that timeframe, the assessment team conducted in-depth interviews with more than 90 individuals representing 60 organizations in the cities of Zagreb, Osijek, Vukovar, Rijeka, and Split. These stakeholders included representatives of government at the national and local levels, donors, international implementing organizations, NGO partners and civil society representatives from many different sub-sectors.

Impact of USAID/Croatia Assistance to Civil Society

Along with other donors, **USAID/Croatia assistance in war-affected areas has been critical to easing the effects of war and subsequent regional imbalances in development.** Through the ECRA program, 18,366 people have *directly* benefited from small grants, social and legal services, micro-loans, and other initiatives aimed at revitalizing local economies and providing employment opportunities.¹ This number constitutes a third of the total population in ECRA municipalities. Rates of refugee return, especially among the economically active demographic, and increases in registered employment in ECRA municipalities outpace countrywide performance.

USAID/Croatia assistance has been particularly responsive to grassroots needs. **Community based programming has played an important and unique role in supporting decentralization and the development of democracy at the local level.** Since AED's CroNGO small grants program was initiated in late 2002, over 20,000² people have been mobilized in virtually every municipality in the country in response to local needs identified by ordinary citizens. More than \$1,700,000 in grant funds have been distributed to 189 NGOs and citizens' initiatives.³ Eighty percent have been to communities that are outside major cities.

USAID/Croatia and its partner NGOs have played a major role in increasing the transparency and integrity of the electoral process in Croatia and in informing and mobilizing voters. Polling data and multiple election statistics confirm increased turnout and familiarity with the voting process following NGO voter information and mobilization efforts. Successful NGO advocacy led to legal changes that provided for domestic monitoring. Other successes were achieved through election related activities, including greater public awareness of – and positive attitudes toward – NGOs and increased voluntarism.

¹ Mercy Corps does not track indirect beneficiaries of its assistance. As such, the total number of beneficiaries is significantly higher.

² As with Mercy Corps, AED does not track the indirect beneficiaries of its assistance.

³ Press Release issued by AED on 27 February 2004.

USAID/Croatia has made a major contribution to the legal and institutional framework supporting NGOs. ICNL, in cooperation with its local partners, was instrumental in securing the passage of several key pieces of “enabling” legislation, the creation of an improved tax regime, and the establishment of a National Foundation to provide for the long term development and financial sustainability of NGOs in Croatia.

Through a variety of implementing partners, **USAID/Croatia has contributed to the development of a local infrastructure to support civil society development.** This infrastructure includes three grant-giving NGOs, three training NGOs and a cadre of individual trainers and consultants, three NGO support centers, and nine anchor organizations representing various sub-sectors, including women, youth, social care, health, human rights, peace, and civil society development. These resources reduce dependencies on outside expertise and provide for sustained support to the sector as foreign donors disengage. The Mission has also been credited with building the organizational capacity and professionalism of the NGO sector.

Potential of the NGO Sector to Promote Social, Economic, and Political Reform

In the past decade, the NGO sector has made important strides toward promoting the economic, political, and social development of the country: (1) The development of civil society groups outside Zagreb suggests that the sector is better able to address needs, influence decision-making, and mobilize citizens at the local level. (2) Greater diversification of civil society means that a broad and more balanced array of needs are being met by the sector. (3) Proven performance by leading civil society groups when combined with the higher profile and more positive image of the sector have helped to create a space in which NGOs are perceived – and are empowered to act – as partners in development. (4) Improved access to decision-making bodies has provided an opportunity for the NGO sector to more constructively engage in policy dialogue and influence policy making. (5) Relationship building between elements of the NGO sector and the business community should ultimately have benefits for both sides. (6) Improved legislation, tax regime, and national policies, greater funding commitments, the creation of a National Foundation, and the existence of a local support infrastructure enhance the prospects that NGOs will continue to serve as change agents in the future.

Nonetheless, further work will be required to consolidate these advancements and to address lingering weaknesses that undermine the ability of the sector to meet emerging priorities as Croatia moves toward EU accession and participation in Euro-Atlantic institutions. When asked about issues of significance that will demand the attention of the government or that will require reform in the coming years, some overriding priorities emerged. The level of unemployment and the state of the country's economy were frequently cited. Issues pertaining to anti-corruption and rule of law were also prominent in discussions. The treatment of Roma, an issue of significance to the EU, was also mentioned several times. Other issues included consumer protection, the environment, patients' rights and health reform, educational reform, gender policy, pension issues, and the need for Croatia to come to terms with its past. Stakeholders who were more aware of requirements for EU accession and who had some familiarity of implementation and compliance issues cited harmonization of laws as a pressing need. Two seemingly important issues, i.e. regional development and municipal reform, were rarely cited.

This qualitative input corresponds with quantitative data collected in a survey conducted by GfK in the Spring of 2002. It found that the top three problems identified by respondents were unemployment, a poor economy, and a low standard of living. The survey also found that these problems were not in line with the areas of work prominently identified with NGOs. When the assessment team addressed this perceived disjoint with a representative of the National Council on Civil Society, she noted: “Civil society is responding to very real needs, to gaps that exist within society, but it is just beginning to respond to priorities. This is a nascent process.” To better address priorities within Croatian society and promote development within the broader framework of the EU and Euro-Atlantic institutions, further maturation of the NGO sector and supportive measures will be required in several areas: (1) Improved outreach, constituency relations, and interest representation and greater capacity to conduct action-oriented research, issue identification, and policy analysis; (2) Enhanced networking within the NGO sector and

its sub-sectors, further relationship building across sectors, and better and more frequent use of strategic partnerships to achieve change;⁴ (3) Greater transfer of successful models to weaker NGOs, less experienced local governments, or under- developed areas⁵; (4) More intensive public information and improved issue articulation aimed at raising public awareness about priority issues that would allow for greater coalescing around such issues in support of advocacy and watchdog efforts; and (5) Extended development of local resources and organizational capacities to ensure sustained NGO engagement and action at the national and local levels.

Recommendations

As noted throughout this report, USAID/Croatia - in cooperation with its implementing organizations and their local partners – has made significant contributions to the development of civil society in Croatia. As the key findings suggest, multiple needs and opportunities exist to further consolidate the development of the sector. The priorities for USAID/Croatia assistance to civil society assistance, as ranked below, reflect the relative strengths of the Mission, seek to build upon its previous investments, and take into account the plans and capabilities of other donors in the coming years, e.g. the National Foundation and the EU⁶.

First: NGOs and civil initiatives working at the grass-roots level, help build communities, foster cooperation, and increase trust in local capacities and these efforts should be strengthened.

Specifically, the small grants project should be extended particularly in light of USAID/Croatia's leadership in fostering grassroots democracy and the proclivity of EU funding mechanisms to favor formal and larger NGOs. A shift toward more strategic grant-giving may be necessary with fewer small grants combined with greater provision of technical assistance to grantees. And, local capacity in grants management should be reinforced through the gradual transfer of responsibility by AED to its partners for local initiatives (PLIs) consistent with their capabilities and the identification and capacity-building of an NGO that can serve as a PLI responsible for central Croatia.

Second: Strong local structures are important to development of the NGO sector over the long term and support to date should be consolidated through a multi-faceted capacity building approach.

Specifically, the National Foundation and NGOs providing leadership and support to the sector should be able to access AED training and development funds. To best meet future needs of the sector, existing training capacity should be further specialized and professionalized. While larger capacity building grants will be discontinued, smaller grants to cover core administrative costs should be awarded to select NGOs⁷ based on proven leadership benefiting the sector and the existence of viable fundraising plans as assessed by AED. AED should also build the capacity of new partners to provide leadership in such sub-sectors as economic and rural development.

Third: Effective and creative partnerships that strategically advance social, economic, and political reforms and improve policy dialogue, particularly in terms of EU accession, should be encouraged.

Specifically, AED should establish a medium-sized grant category aimed at promoting high profile public advocacy and policy dialogue on issues of national significance and of importance to the NGO sector at large. Eligibility for grants should be contingent upon joint action by groups both within and between

⁴ Both within the country and in the region, improved use of information and communication technologies (ICTs) would facilitate information-sharing, knowledge transfer, and joint planning.

⁵ For example, networking, community mobilization, participatory planning, transparent and strategic grant-making, sub-contracting of social services, etc.

⁶ For example, both the GOC and the EU will play a leading role in the provision of social services by NGOs.

⁷ The purpose of such funds would be to ensure a gradual transition from USAID/Croatia support, but should be awarded for a period not greater than two years.

sectors with an emphasis on creative partnerships, e.g. between NGOs, associations and interest-based groups, labor unions, public institutions, or policy institutes. Further TA and training should be provided on such topics as stakeholder analysis, issue identification, priority-setting, policy analysis, message articulation, opening dialogue with public officials, and creative and coordinated approaches to advocacy.

Fourth: Croatian resources are essential to the financial sustainability of the NGO sector over the long term and efforts to promote philanthropy – in coordination with international donors and the National Foundation – should be extended.

Specifically, continued efforts to build leadership among a core group of stakeholders to encourage corporate and individual giving and to facilitate the development of foundations⁸ through participatory processes are recommended. Prominent public information campaigns and educational efforts that raise public awareness of the role of the NGO sector, foundations, and philanthropy would be useful in further cultivating a culture of giving and stimulating existing philanthropic practices. Finally, further improvements to the legal framework will be required to encourage philanthropy and to support the development of community foundations.

2 ACKNOWLEDGEMENTS

The assessment team would like to acknowledge USAID/Croatia staff from the Program Office, Democracy and Governance Office, Reintegration Office, Social Transitions Team, and the Economics Office who contributed their time and insights to this assessment. Special thanks are also due to Chuck Howell and Slavica Radošević for their support. The assessment team also expresses its appreciation to the many Croatian stakeholders who forthrightly shared their impressions and ideas in response to an array of questions.

3 BACKGROUND

Since 1994, support to Croatian civil society groups and NGOs has been an important part of USAID/Croatia democracy and governance assistance. Strong civil society is a critical aspect of well-developed democratic societies as it enables democratic practices to evolve. Civil society groups woven into the fabric of daily life help structure citizens' relations with each other and with the state. They encourage the values of tolerance, solidarity, and cooperation as well as respect for legitimate authority that are necessary for a stable democratic society. Strong NGOs have the capacity to provide services, convey their messages to the public, mobilize citizens, articulate their demands to government officials, monitor government actions, and hold public officials accountable.

Civil society development in Croatia has been marked by two important legacies: The legacy of socialism from the Yugoslav era and the legacy of war, authoritarian rule, and nationalistic policies during the post-independence period while the country was simultaneously undergoing transition to a market economy. Despite Croatia's relatively progressive economic policies in comparison to other Eastern European countries, these legacies impacted the pace of development and the shape of civil society that exists today. With the exception of some NGOs that appeared under the previous regime, a majority of NGOs emerged in response to the war recovery effort.

Early assistance focused on citizens' initiatives and NGOs with which USAID/Croatia shared values and goals such as peace and human rights movements, women's groups, and social service organizations. Assistance sought to foster democracy and civil society through efforts to assist victims of trauma and war, promote peace, foster stability and reconciliation, protect minorities, and promote human rights.

⁸ Whether community based foundations or those focused on specific needs, e.g. children.

Technical assistance, grants, and training were provided through various implementing organizations to help develop the sector's capacity to meet the needs of its constituents. NGOs supported by USAID/Croatia provided services to more than 150,000 internally displaced persons and refugees and assisted the country to overcome the extreme social animosities caused by the ethnic dimension of the war.

Beginning in 1997/98, USAID/Croatia and its implementing organizations helped Croatian NGOs transition away from war-related programming to meet emerging needs in such areas as public advocacy, service provision, community building, civic education, legal assistance, environmental protection, and persons with disabilities. The Mission also focused on developing a local infrastructure to support the sector and on building NGOs' organizational and management capacities. As a result, a core group of strong NGOs has emerged. To date, USAID/Croatia has helped more than 300 NGOs implement programs, strengthen their capacity, and move toward greater sustainability. Among NGOs supported by the Mission, majorities now have more effective financial management systems, diversified funding bases, and improved organizational structures. Concurrent to direct assistance to NGOs and community initiatives, USAID/Croatia and its implementing partners worked to foster an enabling environment that would provide for the growth and viability of the sector. Today there are many positive changes at the systemic and institutional levels.

To consolidate these gains and best position the sector to affect the political, economic, and social development of the country, further work needs to be undertaken. NGOs' contribution to policy dialogue is not fully developed. Interest based political representation remains weak. Citizens need the means to articulate their interests and engage in constructive action to solve important problems facing their communities and the country. To increase and sustain mechanisms for public participation in community planning and policy dialogue at the national level, and thereby facilitate Croatia's transition to democracy and accession to the European Union (EU), it will be essential to further strengthen the NGO sector and stimulate citizens' initiatives in support of reform.

Under USAID/Croatia's graduation plan for 2004-2008, civil society development in support of more effective citizen participation in political and economic decision-making remains an integral part of democracy and governance programming. This decision is based on demonstrated success and Croatian commitment, especially since 2000. Most assistance will be concentrated under an expanded CroNGO program with the aim of consolidating and strengthening civil society so that NGOs can be a continuing voice for reform.

4 PURPOSE AND TYPE OF ASSESSMENT

4.1 OBJECTIVES

USAID/Croatia presented the assessment team with three objectives. Specifically, to:

- Assess the Croatian NGO sector and its potential to generally promote future economic, political, and social development in Croatia, the country's accession to the EU, and membership in Euro-Atlantic institutions.
- Evaluate USAID/Croatia's involvement and assistance to Croatian civil society and the tangible results of that effort.
- Provide recommendations for the future direction of any USAID civil society assistance, highlighting the most appropriate fits with USAID/Croatia's graduation plan.

4.2 METHODOLOGY

Between 26 January and 14 February 2004, the assessment team conducted in-depth interviews with more than 90 individuals representing 60 organizations in the cities of Zagreb, Osijek, Vukovar, Rijeka, and Split.⁹ These stakeholders included representatives of government at the national and local levels, donors, international implementing organizations, NGO partners and civil society representatives from many different sub-sectors.¹⁰ In addition a review of relevant research, program documentation, various reports, and press supplemented findings and analysis derived from interviews.¹¹

Interviews were semi-structured to solicit different perspectives and opinions. A standardized menu of questions was developed to address the macro-level issues of interest to the Mission and to facilitate some degree of consistency and comparability of information collected from various stakeholders during the interview process.¹² Major subjects included; perceptions of NGOs' capacity to contribute to reform processes, identification of priorities for reform, cooperation and relationships between sectors, particular successes and achievements, strengths and weaknesses of the sector, program implementation challenges, barriers to sector development, specific lessons learned, and future options and recommendations with regard to USAID/Croatia assistance to civil society.

Given the size of the team and the limited time available, it was not possible to meet with all identified stakeholders, to travel beyond the major cities referenced above, or to conduct focus groups with ordinary citizens. In keeping with the parameters of the assessment, however, the team did meet with several representatives of each sector and sub-sector outlined in the Purchase Order. It is important to emphasize that the breadth of this assessment has allowed for the collection of varying opinions from an array of stakeholders on USAID/Croatia assistance to civil society development and on the current potential and needs of the sector. It is not a comprehensive study of civil society. Rather, its focus is on results and legacies to which USAID/Croatia has contributed to date and upon which it can build in the future

4.3 TYPES OF CIVIL SOCIETY GROUPS ASSESSED

As part of the assessment, a variety of civil society groups were interviewed. These included:

- Service oriented organizations, such as those running shelters for battered women and abused children, proving care for the elderly and persons with disabilities, and treating substance abuse.
- Organizations that advocate for policy reform, for example human rights, women's, environmental, and consumers' groups.
- Interest based organizations, for example labor unions, business associations, and chambers of commerce.
- Organizations formed for the purposes of direct production, processing, and marketing such as agricultural cooperatives.
- Organizations providing support to the NGO sector, such as grant giving, training, and sub-sector anchor organizations, resource centers, and NGO incubators.

⁹ For short bios of assessment team members, please refer to Annex I of this report.

¹⁰ A complete listing of persons interviewed as part of the assessment can be found under Annex II to this report.

¹¹ For a list of materials reviewed as part of the assessment, please see Annex III to this report.

¹² The Menu of Questions can be found under Annex IV to this report.

5 KEY FINDINGS

5.1 CIVIL SOCIETY AND ITS IMPACT ON ORDINARY CITIZENS

Outcomes and Impacts

Along with other USG and international donors, USAID/Croatia assistance in war-affected areas was viewed as critical to easing the effects of war and subsequent regional imbalances in development. In local communities throughout the country, the Mission's implementing organizations and their partner NGOs helped rebuild communities through reconstruction and economic revitalization and initiatives aimed at fostering trust, reconciliation, citizen engagement, and cooperation.

Since the beginning of the ECRA program in 2001, more than 18,000 people have *directly* benefited from a range of community-based initiatives and social and legal services. Examples of the diversity and impact of this assistance include the following:

- In excess of 17,000 legal services have been provided by ECRA partners IRC, SDF, and DOS mostly pertaining to reconstruction, property, and status issues. Between May and October 2003, 60% of cases from the total pool of services provided have been resolved.¹³
- Another ECRA partner, Micro Plus, has given 6,563 loans as of December 2003. Women constituted 67% of loans recipients. The rate of approved loans by ECRA micro-credit partners has increased 36% for first time loans and 48% for repeat loans in the latter half of 2003. And, the total value of sales contracts concluded by assisted enterprises amounted to \$1,841,974.¹⁴ Micro finance organizations such as Micro-Plus¹⁵ were viewed as being far more responsive to needs of the poor than the government or the private sector.¹⁶
- Data on the rate of refugee returns is also encouraging. ECRA municipalities reflect consistent return rates despite a decline in overall returns to Croatia. And, fifty-six percent of those returning to ECRA municipalities fall within the economically active demographic.
- Registered employment in the ECRA municipalities also outpaced country-wide performance in 2002. The increase in the number of registered employed persons in ECRA municipalities increased by 23.40% between 2001 and 2002, while country wide figures for the same period indicate an increase of 12.30%.¹⁷

AED's CroNGO small grants program was initiated in late 2002 and since then over \$1,700,000 in grant funds have been distributed to 189 NGOs and citizens' initiatives in response to local needs.¹⁸ Eighty percent have been to communities that are outside major cities. Approximately one third of CroNGO grantees provided care to vulnerable groups including the elderly, disabled, children, and youth. Confronted with dwindling resources, local government provision of social services declined leaving certain vulnerable groups outside social protection mechanisms. NGOs stepped in to fill this gap, providing a significant means of re-creating a social safety net.¹⁹ By the end of 2003, 20,000 people

¹³ According to the Legal Services Coalition, which is comprised of 10 NGOs and NGO networks including SDF, and which is funded by multiple sources, the number of legal services doubled between 2002 and 2003 and currently stands at 60,000.

¹⁴ This amount exceeds EOP targets.

¹⁵ This sentiment was also applied to NOA, which has provided 2,254 loans to date.

¹⁶ An improved enabling environment and changes to legislation are required for the continuing implementation of micro-finance programs, i.e. the Law on Micro-Credit Associations and consistent application of Bi-Lateral Agreement.

¹⁷ For more information on the data contained in this paragraph, please refer to Mercy Corps Semi-Annual Report for ECRA, May – October 2003. Additional information and clarifications were provided directly by Mercy Corps and its ECRA partners.

¹⁸ Press Release issued by AED on 27 February 2004.

¹⁹ Some of the best practices of community care for elderly run by NGOs will become integrated and expanded into a new welfare system that presupposes greater subcontracting and decentralizations of services.

have been mobilized in virtually every municipality in the country via the small grants program, responding to local needs of importance to ordinary citizens. IRC, which also runs a small grants program as part of the ECRA project, has distributed 105 grants to 75 different village boards, local associations, and civic initiatives in 45 different villages comprised of nearly 25,000 inhabitants.

Among the most prominent indicators that USAID/Croatia civil society assistance is benefiting ordinary citizens is the rise of local associations and community initiatives that have increased citizens' ability to organize themselves, engage in public debate, and address issues and causes which they deem important. Their success stories far exceed the capacity of the assessment team to present within the confines of this report, although they are thoroughly documented in project reports submitted by AED and the ECRA partners. Several of these stories, however, may help to illustrate the range and import of activities being undertaken. All local associations and community initiatives highlighted have received some form of support from either the ECRA or the CroNGO programs:

- In Duravar, the association DUGA developed a new model for providing assistance to the elderly by involving the entire community in project activities. Local citizens and institutions such as the Center for Social Welfare, Red Cross Daruvar, and Daruvar City Hospital provided services and support. This initiative was so successful that DUGA received funding from the Ministry of Labor and Social Welfare to continue the project.²⁰
- In the same town, the Duravar Red Cross worked with various rural communities to sanitize 164 wells that serve as sources of drinking water. The project mobilized 400 local volunteers and successful cooperation was established with the heads of several municipalities. Red Cross Daruvar has already developed long term plans for maintaining the wells and educating citizens on proper waste disposal to avoid recontamination.²¹
- In Slavonski Brod the Association of Croatian Pensioners instituted the project "Business and Management Internships for High School Students." Through the program, secondary school students learn about business and management through practical work and simulations, e.g. creating and running mock firms. Former directors and managers of large firms, teachers, and members of the Entrepreneurship Center contribute to the program, which is supported by the local government.²²
- In Pakrac, an initiative by the community committee resulted in a joint project by the Serb Democratic Forum (SDF) and the municipality to rehabilitate apartments for Bosnian Croat settlers which enabled Serb returnees to move back into their own homes. Funding was secured from the Ministry of Defense among others.²³
- In response to a project proposed by a village board in Brusnik, a Serb returnee village, the Pakrac municipal government co-supported a project to repair a bridge to improve the villagers' access to the town and facilitate greater economic development. Efforts are also underway to repair a bridge in Kricke. The Croatian Water Company, Croatian Forestry Authority, and Pakrac municipality have all expressed their intention to contribute to rebuilding the bridge.²⁴
- In Karlovac City, a number of projects have focused on mobilizing the local community to protect the environment. The ecological society PAN educated citizens on the importance of separating and properly disposing of trash. The project set a precedent for cooperation between citizens, NGOs, local governments, public institutions, and the business sector. To promote continuation of the project, a local waste management company donated "green containers" to be placed throughout the city.²⁵

²⁰ CroNGO Annual Report 2003.

²¹ Ibid.

²² Ibid.

²³ IRC Final Report on the ECRA Project, February 2004.

²⁴ Ibid.

²⁵ CroNGO Annual Report 2003.

- In Kursanec and Cakovec, the Association Roma for Roma Croatia established a new Roma kindergarten. As a result, Roman children are now better prepared to attend primary school, parents are more aware of their children's educational needs, community support has been mobilized, and an after school program spawned. Through the project, the NGO developed successful partnerships with the city government, the Center for Social Welfare, local schools, and health institutions. This pilot project will contribute to the creation of an integral model for basic education for Roma children.²⁶

It is important to note that the two lead implementing organizations Mercy Corps and AED track *only* direct beneficiaries of the ECRA and CroNGO programs. Basically, this means the persons involved in an initiative, such as those who helped to rebuild a bridge, repair a road, clean a park, or renovate a community center, and those who receive services, including legal aid, elder care, or counseling. They do not track the indirect beneficiaries of such programs over time, for example those using the bridge, road, park, or community center, family members being supported by newly employed persons or via income generating activities, or community members who are better off due to economic revitalization or improved inter-ethnic relations. As a result, the Mission should appreciate that the total number of beneficiaries is considerably higher. According to census data collected in 2001, for example, the number of inhabitants that forms the potential pool of beneficiaries in ECRA municipalities is 51,000.²⁷

5.2 NGOs AND ELECTIONS

Outcomes and Impacts

With assistance from multiple donors, including USAID/Croatia, NGOs have played a major role in increasing the transparency and integrity of the electoral process in Croatia and in informing and mobilizing voters. With support from OTI and USAID/Croatia as well as its implementing organizations, GONG organized voter education campaigns and election monitoring efforts for successive elections. In 1999, there was also an effort to mobilize voter participation through a nationwide coalition of 148 NGOs known as GLAS99. USAID/Croatia assisted the coalition with funding, marketing, communications, and technical assistance. Given voter apathy among women and youth, a unified marketing campaign was targeted at these populations.

Voter education and mobilization efforts as undertaken by GONG and GLAS99, when combined with the presence of a credible opposition, were credited with an increase in voter participation. Polling data collected by IRI in June 1999 showed that 62% of respondents intended to vote. Actual turnout was considerably higher at 76.5% and exceeded turnout during the 1997 elections to the upper house of the Sabor by 5%. Anecdotal evidence also suggests that some voters turned out because they were more confident that their votes would be counted as a result of the GONG monitoring effort.²⁸

In addition to turnout, GONG and other NGOs were praised with educating voters about the electoral process, especially in light of the fact that between 1995 and 2000, the electoral system had been changed five times. Ballot designs and instructions for completing the ballots were also routinely changed. Absent NGO efforts, confusion among voters would likely have been widespread as the Election Commission made little effort to explain these changes. Instead, the percentage of invalid votes actually dropped by more than 2% from previous elections. A survey conducted in 2000 found that 53% of respondents thought that NGOs had played an important role in informing voters about the elections.²⁹

²⁶ Ibid.

²⁷ These municipalities include Djulovac, Donji Lapac, Drnis, Dvor, Gvozd, Hrvatska Kostajnica, Kistanje, Obrovac, Okucani, Pakrac, and Vojnic.

²⁸ Based on report *USAID/Croatia Democracy and Governance Activities, Impact on Political Change: 1995 – 2000*, prepared by MSI, version dated 16 June 2002. See also GONG annual reports and the Final Evaluation of OTI's Programs in Bosnia and Croatia (2000).

²⁹ Ibid.

GONG built public support for monitoring which contributed to the passage of a law permitting monitoring. In 2000, they deployed 5,600 monitors at polls throughout the country. As noted by GONG, this action brought together people from diverse backgrounds, "people who would never have sat together at the same table," yet they mobilized around a common interest, i.e. preserving the neutrality and credibility of elections. GONG's parallel vote tabulation (PVT) in 2000, the first ever in Croatia, showed less than a 1 % difference between the parallel count and the official results. This achievement needs to be taken within context. Only three years earlier, GONG was denied the right to monitor local and upper house elections.³⁰

As noted elsewhere in this report, the high profile achieved by NGOs, particularly GONG, and coalitions, such as GLAS99, also contributed to greater public awareness of – and positive attitudes toward – NGOs.

5.3 LEGAL AND INSTITUTIONAL FRAMEWORK FOR NGOS

Outcomes and Impacts

With funding from USAID/Croatia, the International Center for Not-for-Profit Law (ICNL) in cooperation with the Ministry of Justice, the Ministry of Labor and Social Welfare, the Government Office for Cooperation with NGOs, Croatian NGOs and law experts, has contributed to the development of an improved legal framework for NGOs.³¹ Specifically:

The Law on Associations (2001), streamlined and decentralized the registration process for NGOs, reduced the number of required founders, removed Government involvement from decisions of internal governance, provided for activities by informal groups, and improved access to information on registered NGOs. Several NGOs were invited to participate in the drafting committee and the draft law was posted on the Government Office for NGOs' website. To help facilitate the implementation of the new legislation, ICNL assisted the Ministry of Justice in training local officials responsible for registration of NGOs. Two publications on the implementation of the law, i.e. *How to Register NGOs* and *Analysis on the Law on Associations for Legal Experts* were also prepared and widely disseminated.

The Law on Humanitarian Activities (2003) established a distinction between formal NGOs permanently engaged in humanitarian assistance and informal groups and NGOs assisting in the distribution of humanitarian aid on an ad hoc basis. Licensing requirements are applied to the first category of NGOs only, while the second category is simply required to notify the Ministry of Labor and Social Welfare. This distinction has allowed NGOs to engage in humanitarian assistance absent undue administrative burden. The new legislation also creates a transparent framework for providing such assistance.³²

The Law on the National Foundation for the Development of Civil Society (2003) established the National Foundation as a public law, non-profit entity whose mission is to serve and strengthen civil society in Croatia. It provides a more independent and decentralized mechanism for public financing, i.e. a marking a shift away from the Government Office for NGOs. This constitutes a major advancement in the development of civil society and the financial sustainability of NGOs in Croatia. The core activities of the National Foundation will include education and publications, public awareness campaigns, and grant giving. Grants will focus on grass-roots activities and programs falling beyond the competence of government ministries.³³ Financing for the National Foundation was established through this legislation and the Law on the National Lottery (2002). Funding for the National Foundation will

³⁰ Ibid.

³¹ At the time of the writing of this report, several other pieces of draft legislation upon which ICNL advised were under consideration, among them the Draft Law on the Legal Status of Volunteers, Draft Law on Foundations, and the Draft Law on Public Benefit Organizations.

³² See the ICNL Semi-Annual Report for Croatia, December 2003, p. 3.

³³ Some ministries also award grants and sub-contracts, for example the Ministry of Health and the Ministry of Labor and Social Welfare (as constituted prior to the December 2002 elections).

come from budgetary allocations from the state, a percentage of Croatian lottery funds, private donations, and economic activities.³⁴

ICNL also advised on changes to the tax framework affecting NGOs. In 1998, the tax situation was rather dire for NGOs. New tax legislation levied a 22% VAT with no exemptions for NGOs and tax-free status for corporate contributions that existed before independence were reduced. By 2002, a comprehensive package of tax laws was passed and a new VAT regulation went into effect. As a result, NGOs secured several tax exemptions. Today, grants and donations to NGOs are tax-exempt so long as they are used to finance non-profit activities. Membership dues are also exempt under certain circumstances. Some organizations are eligible for VAT waivers. And, all NGOs are eligible for VAT waivers when they receive funding from foreign donors. Select income-generation activities by NGOs are also tax exempt. In addition, corporate and individual donations to NGOs are also tax exempt up to 2% of the donor's income during the previous calendar year.³⁵

In addition to advising on the legal framework and funding mechanisms for the National Foundation, ICNL also provided assistance in the development of by-laws and operating procedures. The by-laws were adopted by the National Foundation's Management Board in November 2003 and approved by the Ministry of Justice in 2003, clearing the way for the National Foundation to begin its work. The operating procedures for the National Foundation were also adopted at the November 2003 meeting of the Management Board.

Challenges and Continuing Needs

In the near term, additional improvements are needed with respect to the legal framework for NGOs and the newly established Foundation will require assistance as it begins its work. Concerning the former, the Law on Foundations and the Law on Public Benefit Organizations need to be improved and further refinements may be necessary to the tax code to bolster philanthropic practices. The National Foundation needs help in covering the costs of three staff positions upon the exit of DFID in 2005 as well as on-going assistance with training and development. Coordinated action with AED on areas of mutual interest, e.g. public information and education programs aimed at raising awareness of the sector and promoting philanthropy, were also requested.

5.4 INFRASTRUCTURE SUPPORTING CIVIL SOCIETY DEVELOPMENT

Outcomes and Impacts

Through various implementing partners, the Mission has enhanced the infrastructure supporting civil society development in Croatia. Successive AED programs have helped to grow existing capacities and develop new ones.

Three NGOs (SMART, OGI, and Association MI) serve as partners for local initiatives (PLIs), administering AED's small grants program. There are also three support centers (Center for Peace, Ri-Center, and Association MI) providing NGO incubators and technical assistance.³⁶ And, there are three training NGOs (SMART, NIT, and EOS) and a cadre of independent NGO trainers, which are informally organized under the umbrella of the Trainer's Forum. In addition, AED invested in the organizational development of nine partners for NGO sector sustainability (PNGOs) to support and advance the interests of various sub-sectors including women, youth, social care, health, human rights, peace, and civil society development. The approach of developing sub-sector support capabilities through PNGOs has positively impacted a core group of NGOs in terms of their organizational capacity, ability to

³⁴ See ICNL Semi-Annual Report, 15 December 2003, pp. 2-3.

³⁵ See USAID/Croatia's NGO sustainability indices for the period 1998 – 2003 (draft version).

³⁶ ICNL has also provided assistance to the Ri-Center to provide *pro bono* legal and accounting services.

represent the interests of their constituents, and the scope of service provision. Several of the PNGOs have quite effective networks and have succeeded in influencing public attitudes and/or public policies.

The three partners for local initiatives (PLIs) are a key component to the NGO infrastructure in Croatia particularly in terms of developing non-governmental and regionalized sources of grant-giving and as an institutionalized means of mobilizing and extending community initiatives. PLIs have “opened a space” for diverse groups to pursue innovative partnerships and initiatives in response to community needs. According to the Director of Association MI, through the small grants program ‘we were able to help communities to do something concrete . . . to create positive examples . . . to change old ways of thinking.’ OGI representatives noted that as a result of community projects, “Citizens were motivated by their success and wanted to engage more in community development and problem-solving.” The PLIs also represent a model for transparent grant-making that may be replicated by government institutions, e.g. municipalities or regional offices of the National Foundation, community foundations, or corporate giving programs. PLIs may be a valuable resource to such entities and to the donor community in the longer term.

NGO training organizations as well as individual trainers and consultants are providing essential training and technical assistance to an increasing range of clients with varying levels of experience and expertise. SMART, for example, reports that it has provided training for 274 different NGOs, 107 local governments most of which were community boards, 78 public institutions, and 20 initiative groups. There appears to be a real market for these services. Flexibility in services, options for providers, and the delivery of specially tailored training and TA are viewed as best meeting the needs of individual organizations and institutions. According to one NGO representative who received training in financial management, “its like a fortune, the value of the information I have received.” The regional presence and mobility of training NGOs, trainers, and consultants also appears to have facilitated greater breadth of procurement and provision of training services and TA. Qualified training NGOs, trainers, and consultants are generating increased income from the provision of services, although they continue to perform some *pro bono* work. Necessary efforts to further professionalize NGO training are also being undertaken through creation of the Trainer’s Forum, which in 2003 adopted a Trainer’s Code of Ethics, the first of its kind in Croatia, which has been signed by 46 trainers thus far.

Challenges and Continuing Needs

At the same time, there have been challenges and a number of continuing and newly emerging needs will need to be addressed. Among the PNGOs and some NGO support centers, there are considerable disparities with respect to capacity, vision, and the degree or scope of representation. As with the broader sector, some of these NGOS have proven more effective than others in networking and outreach. For more information on the issue of networking, in particular, please see section 5.5 below. Regarding the PLIs, their leadership capacity needs to be developed further so that they can adequately respond to newly emerging priorities. As such, continued training and technical assistance will be necessary. Similarly, there is a need to gradually transfer greater responsibility for decision-making and handling of monetary issues to the PLIs in accordance with their capabilities. At present, the PLIs do appear to be understaffed which is affecting their ability to undertake outreach and provide technical assistance to a growing number of grantees dispersed across an expanding geographic area of activity. The absence of a PLI responsible for central Croatia also represents a gap in regional representation and local capacity.

As some NGOs become stronger and more sophisticated, their training and TA needs may outgrow the current expertise of those providing training or advising. Issues identified for further study and/or TOT include: corporate social responsibility, community foundation development and management, NGO governance, financial management (basic through advanced), M&E, regulatory compliance, strategic advocacy, policy analysis, and presentation skills. On some of these issues, experts from outside Croatia are still deemed necessary. At the same time, the practice of mentoring and peer support among trainers and consultants appears to be under utilized. One mechanism for providing such support and development within the profession would be an association. At present, there may be an

opportunity to form such an association via the Trainer's Forum. There may also be a need to more closely coordinate the development and application of training resources between the National Foundation, World Learning, and AED.

5.5 NGO CAPACITY AND NETWORKING

Outcomes and Impacts

The contribution of USAID/Croatia, via its implementing partners, to raise the professional standards of the NGO sector was repeatedly cited by stakeholders. According to one, "capacity building was the most valuable part of the assistance we received." Commenting on the approach to capacity building, another NGO representative noted, "it was a good move on the part of USAID and AED to build NGO's skills through TA and training and then allow them to apply these skills through grants." Among the various areas where beneficiaries of USAID/Croatia assistance, via AED, claimed they were able to build their skills were: strategic planning, organizational management, financial management, budgeting, proposal-writing, fundraising, human resources and volunteer management, media relations, cross-sector cooperation, networking, quality assurance, and monitoring and evaluation. Among some larger NGOs, the ramifications of such assistance are apparent in the form of improved organizational development, financial management systems, diversified funding sources, higher public profiles, and improved relations with government and the private sector.

Performance was mixed with respect to networking. There are several quite effective networks in existence. One of these is the Women's Network of Croatia. This network of comprised of 50 women's NGOs from throughout the country. Led by the Center for Civic Initiatives in Porec and other prominent women's NGOs, the network provides a forum for sharing information, transferring knowledge, building consensus, performing coordination, and undertaking joint action. Another is the Legal Services Coalition (LSC), a network of eight human rights and peace organizations.³⁷ Many of these NGOs participate in an informal network coordinated by the Croatian Helsinki Committee to pursue joint approaches toward relevant ministries, the media, and the Sabor. According to a representative of the Club's of Women Suffering From Breast Cancer, another AED partner for NGO sustainability (PNGO), "as a direct consequence of USAID assistance we have been able to develop a network of similar groups throughout the country. The network has grown from 15 to 25 group members and includes government and business representatives. The creation of this network has helped us get to the point of advocacy, which would not have happened otherwise." In addition, the NGO shares its skills in organization and networking with other NGOs in the health sector in Split.

Challenges and Continuing Needs

Considerable disparities remain within the sector with respect to capacity, particularly between larger or well-established NGOs and smaller or newer ones. Horizontal transfers of knowledge and experience are still lacking. Smaller and newer organizations have basic needs with respect to strategic planning, organizational development, proposal writing and budgeting, fundraising, project implementation or service provision, financial management, and public relations, networking, and cross sector cooperation. Both the Government Office for Cooperation with NGOs and the EU identified financial management and reporting capacity as being inadequate and requiring further attention. For larger, well-established NGOs, their needs are more advanced. Among NGOs with multiple funding sources, for example, capacity needs to be built in managing multiple budgets and accounts, preparing budget projections, and tracking expenses. Other areas where such NGOs require further expertise are regulatory compliance, corporate fundraising, quality assurance, monitoring and evaluation, issue identification, message articulation, constituency relations, and policy analysis. Governance also remains a

³⁷ These groups include: The Center for Civic Initiatives in Porec; the Center for Peace, Non-Violence, and Human Rights in Osijek; the Center for Peace, Legal Assistance, and Psychosocial Assistance; Dalmatian Solidarity Committee; the Organization for Civil Initiatives; Committee for Human Rights in Karlovac; Serb Democratic Forum, and; the Association for Peace and Human Rights in Baranja. USAID/Croatia assistance, via ADF, was critical to the creation of this network.

deficiency within most NGOs. While Croatian law does not currently require a 'board,' the lack of effective governing structures is adversely impacting transparency, accountability, and the ability to raise money and public awareness.

While some NGOs are providing leadership in developing and managing networks based on common interests, constituencies, or areas of activity, this needs to become much more commonplace. This will be essential to raise the status, capacity, and effectiveness of NGOs and to achieve more balanced development of the sector. Skills need to be built in constructively building and effectively managing such networks, even among some leading NGOs that have been associated with successful coalitions. The GLAS99 coalition noted previously provides a case in point. While successful in achieving the aims of the voter information and mobilization project in 1999, the coalition fell apart immediately prior to the elections due to internal disagreements. One prominent NGO activist noted, "the project was a great success, there should have been a lot of pride and good [will], but in the end there were a lot of bad feelings. It was odd." In 2004, complaints persist that some NGOs "pressure" their cohorts into coalitions, while others negatively perceive the process of consensus-building between NGOs.

5.6 PHILANTHROPY, BUSINESS COOPERATION, AND FINANCIAL SUSTAINABILITY

Outcomes and Impacts

Progress is being made in the area of philanthropy as individuals, private companies, and public institutions donate time, money, and in-kind support. NGOs with a high profile in their area of activity, with good message articulation, and tangible results appear best positioned to gain such support. And, philanthropic practices are not necessarily limited to the relatively prosperous areas of the country. Several NGOs interviewed have been effective in tapping into private sector support in economically deprived communities. Suncokret, a beneficiary of the ECRA project working in Gvozd has been heralded as a success, as has the NGO SLAP in Belisce:

- Gvozd, comprised of 19 villages, was particularly hard hit by the war with a massive migration of inhabitants. Today its population has been halved and the ethnic balance altered. Suncokret sought to revitalize the community and foster ethnic tolerance through computer and language classes, special events featuring local talent, a "mixed" community center and café, park re-vitalization, and a community newsletter. Volunteers, local government, and local businesses provided support. According to a Suncokret representative, "we have watched private businesses move from in-kind to financial contributions. Now, local businesses are competing to support our efforts." In 2003, Suncokret in Gvozd boasted 22 private sponsors.
- A CroNGO small grantee, SLAP, has also developed a successful model for multi-sector cooperation, that involves local and foreign companies, local government, associations of the unemployed, local chambers of commerce, and other NGOs to develop local communities and economic opportunities. In Belisce, for example, SLAP established a Resource Center for Entrepreneurs with support from the City of Belisce, the local company Belisce d.d., and the foreign investor Thyssenkrupp.

Generally, businesses are becoming more aware of corporate social responsibility. Fifty-five percent of CroNGO small grantees, which are encouraged to develop relationships with private companies, have received some degree of cooperation from local businesses.³⁸ According to the Chamber of Commerce, banks, pharmaceutical companies, and the tourist sector have been the largest contributors to date. The Chamber is currently considering a code of conduct for its members that includes a corporate social responsibility clause. A manual on corporate social responsibility and an award for the best campaign are also planned. Cooperation between NGOs and regional chapters is also beginning

³⁸ CroNGO Annual Report 2003.

to take shape. The Split Chamber of Commerce and Association-MI, for example, recently held a meeting on corporate giving for business people and NGO representatives.

Voluntarism is also on the rise. More than 3,118 volunteers have been mobilized in response to concrete community needs through the CroNGO small grants program.³⁹ As part of the ECRA project, IRC's local partners were able to mobilize 1,440 volunteers to meet community needs. The Head of the Department of Public Affairs in Pakrac noted that the citizens of Brusnik had taught him a "valuable lesson" in their willingness to volunteer their labor and he intended to "follow this example in the future."⁴⁰ Eco-Center in Beli, an NGO at the forefront of eco-tourism, has been particularly effective in recruiting volunteers. The Center utilizes about 500 Croatian and foreign volunteers who provide approximately 2,500 days of volunteer work *per year*. When asked about the success of their effort, the Director of the Center noted "AED's training on volunteer management was excellent. I was against this training in the beginning. I thought we didn't need it. But, it really opened my eyes." The NGO Zena [Women], which provides support services for the elderly in Drnis and neighboring settlements, reports that volunteers contributed 7,000 hours of work to 220 beneficiaries. GONG has also been a leader in volunteer mobilization. It estimates that during its six year existence, 15,000 people have volunteered for one or more of its various initiatives, especially election monitoring.

Challenges and Continuing Needs

Such developments should be viewed positively, although it is also important to understand that progress is slow. Much still needs to be done to raise the level of philanthropic activity in the country and reduce dependency of foreign donors. While many beneficiaries of USAID/Croatia assistance have been successful in diversifying their funding base, dependency on foreign sources remains considerable with rough estimates suggesting that this may run as high as 80%. The number of foundations in Croatia, not including the recently established National Foundation, that could facilitate local philanthropy is 70 and their level of activity is reportedly low. To stimulate philanthropic practices in the country, further efforts need to be directed at legal reforms, networking and information sharing between the NGO and business sectors, and public education. Leadership also needs to be cultivated to facilitate participatory processes aimed at the establishment of community or special interest foundations. It will take time for community foundations to become operational and capacities to manage and sustain such foundations still need to be built.

5.7 MEDIA COVERAGE AND PUBLIC AWARENESS

Outcomes and Impacts

According to a public opinion survey conducted by GfK in 2002, 95.8% of respondents were familiar with the terms "NGO" and "association." The most recognized NGOs were GONG, B.a.B.e, Croatian Helsinki Committee, all of which are beneficiaries of USAID/Croatia assistance, Caritas, and HVIDR-a. A majority of respondents (61.2%) viewed NGOs positively. They identified NGOs' contribution to environmental protection, human rights, and assistance to vulnerable members of society. This represents a considerable improvement from the late 1990s when the public had a limited understanding of the sector and was not very supportive of NGOs, which were viewed as being hostile to the government.

Data collected by various implementing partners suggests that both small and large NGOs are securing more – and more positive – coverage in the media, whether print, radio, or television. In some cases, journalists have begun proactively contacting NGOs and several leading NGOs are frequently approached for comments on current events or policy developments within their area of expertise. FADE IN provided support to 53 NGOS from Zagreb to present their work on the popular television

³⁹ CroNGO Annual Report 2003, p. 9.

program "Good Morning Croatia:" In cooperation with HTV and with funding through the CroNGO program, FADE IN produced short film reports that presented the work of different NGOs in their local communities. After the short films were aired, the volume of public inquiries to the NGOs about their community-based services increased significantly.⁴¹ Other NGOs that have received media that has positively impacted their ability to mobilize citizens and sustain community initiatives. According to a representative of SMART in Rijeka, "AED really encouraged us to work with the media more. This has brought more visibility to our organization and we have gained a lot of respect from the local government."⁴²

Beyond raising awareness of their own sector, numerous NGO stakeholders noted the importance of public information and education campaigns, both through the media and direct interaction with citizens, to successful advocacy. A representative from the Center for Peace noted, "Public education is essential if people are going to coalesce around an issue." Among the groups perceived as being particularly effective at raising public awareness are B.a.B.e., GONG, and the labor unions.

One extremely successful public education campaign involving cross-sector cooperation, focused on the issue of pension reform in Croatia. As part of this effort, the Solidarity Center, the Central Register of Insured Persons (REGOS), and the Agency for Oversight of Pension Funds and Pension Companies (HAGENA) trained one hundred trade union professionals from all Croatian trade union confederations on plans for pension reform. The Minister of Labor invited employers to give their workers time-off to participate in the program. Trainers conducted over 1,800 worksite presentations for more than 55,000 participants. During the presentations, over 8,000 individual questions and comments about the reform were collected. These were then compiled and forwarded to all parties involved in the reform. Every one of these questions was answered either by instructors or relevant agencies. Participants responded positively to the fact that unions were talking to them face-to-face on such an important issue and soliciting their opinions. Public opinion surveys showed that, as the result of this public education program, 19.6% of the adult population of Croatia received information on pension reform through their trade unions.

At the local level, the youth NGO SAN has been particularly successful in raising awareness about substance abuse in Pozega and the surrounding area. It carried out public information through radio shows, print materials, public forums, and roundtables. Through a weekly radio program, it informs citizens about drug addiction, the consequences of substance abuse, prevention, and other pertinent issues. After the first radio show, SAN began receiving a large number of calls from concerned citizens. People also wanted to become more involved in solving the problem. Not long after the radio program began, SAN was able to increase its volunteer base significantly. Today, the city government is focusing more on the issue of addiction in the community and cooperates with SAN to provide information and counseling.⁴³

Challenges and Continuing Needs

Many of the government officials, at the national and local levels, interviewed also noted that citizens are not adequately aware that they can influence policy dialogue and decision-making. Everyone seemed to agree that public information and education were critical to public engagement on issues of national importance. There was also some sense that NGOs need to articulate their message even more clearly if they want to use the media effectively to advance their cause.

⁴¹ Ibid, p. 36.

⁴² Ibid.

⁴³ CroNGO Annual Report 2003, p. 37.

5.8 GOVERNMENT AND NGO COOPERATION

Outcomes and Impacts

There is greater openness, understanding, and readiness to cooperate with NGOs, civic initiatives, and ordinary citizens. Among the positive developments are the adoption of a national program on cooperation with NGOs, establishment of the National Office for Cooperation with NGOs and an Advisory Council on Civil Society, the preparation – through a participatory process - of the first Charter for Cooperation with NGOs at the municipal level, the provision of grants and sub-contracts to NGOs by line ministries and local governments, the allocation of lottery funds to support NGOs, and the participation of local government representatives on community committees. With the assistance of UI, some municipalities are building their capacity in public participation and testing e-government. According to UI, one-third of its target municipalities selected training on public participation.

According to CroNGO, 82% of its small grantees have received support from local authorities. This figure does not include the constructive relationships that have been formed between its larger partners, e.g. the PLIs and PNGOs, with local governments. According to a representative of the Network of Clubs of Women Suffering from Breast Cancer, one of AED's PNGOs, "Perhaps the most valuable part of USAID assistance has been the opportunity to develop constructive relations with local governments." Today half of the network's group members have been sub-contracted by local governments to deliver services. ECRA project small grantees also reported improved relations with government. A survey of second year grantees found that 79% cited improved or positive relations with the local government as an outcome of the project. According to one respondent, "They [local government] have more respect [for us]. We are partners in strengthening our local community."⁴⁴ Community committees provide another mechanism through which ordinary citizens, and government representatives as well as business people engage in dialogue about revitalization of their communities. According to one community committee member, "local government respects community committee recommendations." Another noted, "we are able to independently lead and prepare projects and can more easily communicate with local government representatives."⁴⁵

At the local level, there are also some positive models for transparent and strategic grant-making. Of the cities visited, Split and Rijeka provided approaches worthy of replication. Both cities have consolidated their grant giving. The head of the Social Welfare and Activities Department of the City of Split credits her participation in a World Learning study tour to Hungary with "opening my eyes to the possibilities of [government] cooperation with NGOs."⁴⁶ Without question, she has applied the lessons learned in Hungary, combining this knowledge with research provided by the Government Office for Cooperation with NGOs. Since 1998, the City has been working with NGOs to develop and refine their cooperation. The results of this cooperation are evident in the strategically-oriented and transparent system for grant-making currently employed by the City.

The City introduced an Expert Board comprised of NGO representatives to undertake a preliminary review of proposals and make recommendations to the responsible City Committee comprised of the Vice-Mayor, a financial officer, and various department heads. The process of selecting representatives to the Expert Board has been refined over the years and is now based on nominations made by "special interest groups" formed by the City to represent various sub-sectors. NGOs within each special interest group must reach a consensus on their nominee to the Expert Board. Nominees serve for a period of one year.

The process of consensus building has brought these NGOs together in other ways. According to various stakeholders in Split, it has helped NGOs appreciate the impact of working together, contributed

⁴⁴ IRC Croatia, Final Report on ECRA Project, Revitalization of War-Affected Communities, February 2004.

⁴⁵ Ibid.

⁴⁶ See assessment by Marina Skrabalo and Mirna Karzen for World Learning, September 2001, p. 8.

to more effective lobbying and other joint actions, facilitated the assumption of greater responsibility for social service provision by NGOs, and led to improved information-sharing and knowledge transfer. As an example, the Club of Women Suffering From Breast Cancer, one of AED's Partners for NGO Sustainability (PNGO), has begun presenting their experience and expertise on organizing and networking to other NGOs represented in the City's special interest group on health.

Every two years, the City conducts a survey to determine priorities for grant-giving and sub-contracting.⁴⁷ Once priorities are established, the standards for grants and sub-contracts are announced. Proposals are reviewed by the Expert Board and recommendations made to the City Committee which makes a final decision. Through this system, the City of Split has been able to consolidate its grant-making. Once NGOs are selected, they must sign a contract that includes requirements for programmatic and financial reporting.

The City of Rijeka is also a leader in constructive NGO relations and strategic and transparent grant-making. Through a participatory process that involved the NGO community, led by the Ri-Center, the first local government Charter for Cooperation with NGOs was prepared. The Charter institutionalizes the local government's support of NGOs and informal groups. The Charter, itself, and the process through which it was developed serve as a model for replication by other cities and municipalities.

Challenges and Continuing Needs

Generally, the assessment team found limited capacity within government, in terms of available human resources, to work with NGOs or on civil society issues. This was particularly true with respect to local government. At that level, there is insufficient staff, for example, to adequately monitor and evaluate the compliance, impact, or quality of service provision by NGOs awarded grants or sub-contracts. Public relations, information, and education were other areas where the lack of human resources was identified as a problem. Possibilities for NGO support in M&E, public information, or community mobilization do not appear to have been adequately explored either by local governments or the NGOs themselves.

Also with respect to ministries and local government, there is still a considerable degree of fragmentation and non-strategic orientation to government grant-giving. At the municipal level, this can be seen in the dispersion of funds across various departments and a lack of cumulative data on the totality of funds spent, to which organizations it was directed, and for what purposes. There also appears to be a strong tendency to give a little bit of money to as many groups as possible. Some stakeholders suggested that grants were basically seen as "entitlements," a situation that was not viewed as conducive to the development of the NGO sector. There also appeared to be a hesitancy on the part of some local governments to use sub-contracting mechanisms. The team found some instances of local governments continuing to use less formal grant-making mechanisms to procure social services from NGOs.

5.9 PUBLIC ADVOCACY AND POLICY DIALOGUE

Outcomes and Impacts

There are mixed impressions of the capacity of NGO sector to perform effective advocacy, especially at the national level. Among NGO stakeholders, several types of NGOs were seen as being more adept at advocacy. These included women's, environmental, and human rights groups as well as those representing the interests of the disabled. Consumer groups were also identified as having great - but as yet largely untapped, potential - for major advocacy campaigns. NGOs consistently identified by their peers as leaders in advocacy included B.a.B.e (and the Women's Network), Croatian Helsinki

⁴⁷ Initial surveys identified the needs of pensioners as a priority, although over time, the emphasis has shifted to unemployment and the needs of youth and young families.

Committee, Green Action, and GONG. Outside of the immediate NGO community, organizations with strong interest representation on behalf of their constituents, such as business associations and labor unions, were viewed as performing at a higher level. Among the major pieces of legislation passed in 2003 that were impacted by NGO advocacy efforts were the Law on Gender Equality, the Law on Consumer's Rights, the Law on Conflict of Interest, and the Freedom of Information Act (more below).

In general, special interest groups, e.g. chambers of commerce, business associations or councils, labor unions, and groups advocating employment or consumer issues tended to have a larger base of support than most NGOs.⁴⁸ Their constituencies are clearly defined and they have representation throughout the country. Many also have relatively strong cross border links with similar organizations. Groups in a position to collect membership dues also have a fairly sound financial base. These groups also appeared to be better at policy analysis and issue articulation and more innovative at advocacy than a majority of NGOs. Such groups are also well positioned to monitor the implementation of legislation and policies affecting their members.

Regardless of the types of organizations involved, influence on public policy-making was enhanced through joint action. Despite suggestions that partnerships are "virtually impossible" to achieve in Croatia and evidence of isolated action, partnerships do exist at the national and local levels and are producing results. The joint involvement of the Croatian Helsinki Committee, Transparency International (TI), the Croatian Law Center, and the Croatian Journalists Association in drafting the Freedom of Information Act provides a timely example. This ad hoc coalition ultimately grew to 16 NGOs that carried out an advocacy campaign "Public Has the Right To Know" until the law was passed by the Sabor in October 2003. This legislation will be extremely important to facilitating citizens' constitutional right to access information from all levels and branches of government. Given the impact of such partnerships, a more balanced assessment might be that they are not being utilized to the extent to which they should.

Challenges and Continuing Needs

As noted earlier, mechanisms for increased NGO access to policy dialogue and decision-making have been put into place and are an important step forward. NGO representatives have been appointed to advisory councils attached to government ministries and working groups in the Sabor. At the same time, there appears to be inconsistent engagement on the part of both the Government and NGOs. Some ministries, such as the (former) Ministry for Labor and Social Welfare, were viewed as more open to substantive NGO input than others. And, some NGO representatives serving on advisory committees were reportedly much more active than their peers. NGO access to some working groups within the Sabor was also described as being "arbitrary." According to a journalist at *Vjesnik*, "There are civil society representatives sitting on various working groups, councils, or committees. The capacity of some is rather high and they have been instrumental in drafting legislation. But others are quite passive. More work needs to be done to build the capacity both of MPs and advocacy [oriented] NGOs." The need for improved knowledge-based policy making by government officials and MPs was cited by several stakeholders.

Questions have been raised about whether the capacity of NGOs, the sophistication of their advocacy efforts, and the quality of dialogue between the GOC and NGOs is sufficient as Croatia moves toward EU accession. They relate to whether or not existing practices meet EU standards of good governance and whether current education and advocacy efforts by NGOs address issues of an EU dimension. An expert at the Institute for International Affairs worries that Croatian NGOs do not have skills relevant for the EU framework. "NGOs are not so successful in giving shape to public policies. Real partnerships between the Government and NGOs and cooperation within the NGO sector are weak. This presents an obstacle to the establishment of more effective consultative mechanisms." A representative of the

⁴⁸ It is important to emphasize that that this is not universally the case. Some membership associations are not doing a particularly good job of advocating for reform and providing services to their members. And, there are some NGOs performing effective advocacy at the national level.

World Bank voiced similar concerns. "Input by civil society groups is critical to shaping public policy. NGOs in Croatia need to become much more involved in consultation processes with the Government."

These and other assessments of NGO weakness in advocacy tended to focus on the limited number of NGOs capable of engaging in high level, knowledge-based advocacy, which one EU representative characterized as "very few" and an insufficient strategic approach. Seen as critical to a strategic approach was the ability to conduct and apply action-oriented research, undertake stakeholder analysis for the purpose of issue identification and prioritization, adapt to changing circumstances, use innovative techniques and partnerships, build ad hoc issue coalitions, and manage coordinated actions.

Several stakeholders pointed out that many policies and pieces of legislation have been passed, some of them quite good. In 2002 alone, 132 laws were approved by the Sabor, many of them by urgent procedure. The priority now, they contend should be implementation. According to the EC's Stabilization and Association report (2003), implementation has been slow and inconsistent.⁴⁹ The Director of TI in Croatia concurred with this assessment noting, "we see few results regarding implementation." While TI and a number of special interest groups, e.g. women's and human rights networks, consumer and environmental groups, and businesses associations are involved in watchdog activities, the capacity of the sector remains limited, particularly outside of Zagreb. And, the use of standardized tools, that might facilitate the collection of consistent and comparable data by various organizations, is lacking.

5.10 PROJECT IMPLEMENTATION AND DONOR ISSUES

Outcomes and Impacts

Many stakeholders commented on the value of the Mission's approach to civil society programming, particularly its leadership role and contributions in several areas. Numerous stakeholders commented on the Mission's broad approach to programming and the impact this has had on the growth of a more vibrant and diverse civil society. Such comments focused on the array of organizations, interests, and constituencies supported and the willingness of USAID/Croatia to assist both formal organizations and informal groups. The Mission was also viewed as being well-positioned to assist smaller NGOs and citizens' initiatives relative to other large donors such as the EU. USAID/Croatia assistance was also perceived as being particularly responsive to grassroots needs in local communities and war-affected areas. Small-grants programs, in particular, were described as "very good," "complimentary to the EU approach," and "essential to bringing democracy to local communities." The Mission's commitment to creating an enabling environment and local support infrastructure for NGO development as well as greater organizational capacity of NGOs was also highlighted. In addition, the role of the Mission – in cooperation with AED – in facilitating improved donor coordination was also noted. Finally, various stakeholders expressed appreciation for field visits by successive Mission directors and USAID/Croatia personnel. Day to day support provided by Slavica Radosevic and Dimitrije Todorovic was routinely praised.

Challenges and Continuing Needs

Several stakeholders also acknowledged some challenges and identified opportunities for improvement in the future. The greatest complication in the relationship between the Mission and the NGO community has been the public opposition of some NGOs to U.S. policies, genetically modified organisms (GMOs) and the Iraq War in particular. Privately, there has been considerable dissension within a number of NGOs,⁵⁰ among staff and assemblies, for example, on such issues and the stand they should take. With respect to opportunities for improvement, consistent application of participatory planning methods was deemed to be essential to realistic assessments of NGO capabilities, local

⁴⁹ P. 5.

⁵⁰ Most likely NGOs in Zagreb and/or those receiving funding from USAID/Croatia.

conditions, and the applicability of certain activities and to avoid overly ambitious goals.⁵¹ In addition, greater coordination between the two main pillars of democracy and governance assistance, i.e. local governance and civil society, was viewed as critical to achieving greater synergy during the graduation phase. NGO stakeholders also expressed their desire for more opportunities to directly interact and engage in dialogue with the Mission (broadly defined).

6 POTENTIAL OF THE NGO SECTOR TO PROMOTE FUTURE DEVELOPMENT

Based on the findings referenced previously, it is clear that – in the past decade - the NGO sector has made important strides toward promoting the economic, political, and social development of the country.

- The development of civil society groups outside Zagreb suggests that the sector is better able to address needs, influence decision-making, and mobilize citizens at the local level, whether this is defined in terms of a municipality, city, town, or village.
- Greater diversification of civil society, to include formal organizations and informal groups that were formed for the purpose of providing services, advocating for policy reforms, representing common interests, or for production, processing, or marketing, means that a broad and more balanced array of needs are being met by the sector.
- Proven performance by leading civil society groups, whether in terms of service provision or public action, when combined with the higher profile and more positive image of the sector have helped to create a space in which NGOs are perceived – and are empowered to act - as partners in development.
- Improved access to decision-making bodies, both legislative and executive and at the national and local levels, has provided an opportunity for the NGO sector to more constructively engage in policy dialogue and influence policy making.
- Relationship building between elements of the NGO sector and the business community, which is just beginning to emerge, should ultimately have benefits for both sides, whether in terms of corporate social responsibility and corporate governance or in organizing production, developing new products, services, and markets, or reducing business risk.
- An enabling environment created by an improved legislative framework and tax regime, the national policy on cooperation with NGOs, the allocation of lottery funds to support civil society, the creation of a National Foundation, and the existence of a local support infrastructure for civil society have contributed to the viability of the sector, enhancing the prospects that NGOs will continue to serve as change agents in the future.

Nonetheless, further work will be required to consolidate these advancements and to address lingering weaknesses that undermine the ability of the sector to meet emerging priorities as Croatia moves away from its legacies of socialism, war, authoritarianism, and nationalism and toward EU accession and participation in Euro-Atlantic institutions. When asked about issues of significance that will demand the attention of the government or that will require reform in the coming years, most NGO stakeholders gave priority to issues falling within their specific areas of interest although some overriding priorities emerged. Specifically:

- The level of unemployment and the state of the country's economy were most frequently cited.
- Issues pertaining to anti-corruption and rule of law were also prominent in discussions.
- The treatment of Roma, an issue of significance to the EU, was also mentioned several times.

⁵¹ Such comments applied to planning by the Mission and its implementing organizations and by implementing organizations and their local partners and tended to be made in the context of discussions on the ECRA program.

- Other issues included consumer protection, the environment, patients' rights and health reform, educational reform, gender policy, pension issues, and the need for Croatia to come to terms with its past.
- Stakeholders who were more aware of requirements for EU accession and who had some familiarity of implementation and compliance issues cited harmonization of laws as a pressing need.
- Two seemingly important issues, i.e. regional development and municipal reform, were rarely cited.

This qualitative input corresponds with quantitative data collected in a survey conducted by GfK in the Spring of 2002. It found that the top three problems identified by respondents were unemployment, a poor economy, and a low standard of living. The survey also found that these problems were not in line with the areas of work prominently identified with NGOs. When the assessment team addressed this perceived disjoint with a representative of the National Council on Civil Society, she noted:

"Civil society is responding to very real needs, to gaps that exist within society, but it is just beginning to respond to priorities. This is a nascent process."

To better address priorities within Croatian society and promote economic, political, and social development within the broader framework of the EU and Euro-Atlantic institutions, further maturation of the NGO sector and supportive measures will be required in several areas:

- Improved outreach, constituency relations, and interest representation and greater capacity to conduct action-oriented research, issue identification, and policy analysis;
- Enhanced networking within the NGO sector and its sub-sectors and across borders⁵², further relationship building across sectors, i.e. NGOs – government – business, and better and more frequent use of strategic partnerships to achieve change;⁵³
- Greater transfer of successful models to weaker NGOs, less experienced local governments, or under- developed areas, e.g. networking, community mobilization, participatory planning, transparent and strategic grant-making, sub-contracting of social services, etc.
- More intensive public information and improved issue articulation aimed at raising public awareness about priority issues facing the country and relating to EU accession that would allow for greater coalescing around such issues and support of advocacy and watchdog efforts.
- Extended development of local resources and organizational capacities to ensure sustained NGO engagement and action at the national and local levels.

As the sector develops and matures, some existing NGOs will disappear and new ones will develop. This is a normal process in any country, as civil society strives to meet changing needs and priorities. As one stakeholder noted: "Dwindling foreign funds will force us to focus, consolidate, and specialize. There will be little room for redundancies or a lack of professionalism." While there will be changes within the sector, its continued diversity and activity in economic, political, and social development is not in question.

⁵² Particularly with respect to EU members states and those slated for membership and preparing for accession.

⁵³ Both within the country and in the region, improved use of information and communication technologies (ICTs) would facilitate information-sharing, knowledge transfer, and joint planning.

7 LESSONS LEARNED

7.1 MAJOR LESSONS LEARNED

During the course of the assessment, a number of major lessons learned emerged, including:

- A broad and flexible approach to civil society that incorporates groups of various types and across a range of sub-sectors contributes to a more diverse and vibrant civil society with greater capacity to directly address various social, economic and political priorities.
- Assistance in improving legal framework has been key to raising the status of NGOs and to mobilizing Croatian resources in support of sector sustainability.
- Support to NGO sector infrastructure has laid the ground for in-country capacity to move away from a dependency relation but this requires sequential and longer-term development.
- Organizations and associations capable of conducting knowledge-based and strategically-oriented public advocacy are best positioned to promote future economic, social, and political development of Croatia.
- Partnerships and networks within civil society provide for achievement of greater results and need to be enhanced, particularly across sub-sectors.
- Open and constructive relationships between government and civil society groups are essential to achieving mutually beneficial and sustainable results and need to be expanded and enhanced.
- Efforts to raise awareness and stimulate the practice of philanthropy are crucial to NGOs' financial sustainability given declining donor resources.

7.2 USAID SPECIFIC LESSONS LEARNED

In addition, a number of USAID specific lessons learned were identified:

- The provision of training, technical assistance and grants has a greater impact on the prospects for NGO sustainability than grants solely for the purpose of project implementation.
- Participatory methods of planning help to ensure realistic assessments of NGO capabilities, local conditions and project applicability which taken together ultimately produce better results.
- Improved coordination between various pillars of USAID/Croatia assistance can add value and maximize development impact.
- Flexible training and development better enable NGOs to meet their specific needs and contribute to a greater commitment to continuing education.
- Direct interactions positively influence stakeholder's perception of partnership and dialogue with USAID/Croatia.

8 RECOMMENDATIONS

As noted throughout this report, USAID/Croatia - in cooperation with its implementing organizations and their local partners – has made significant contributions to the development of civil society in Croatia. As the key findings suggest, multiple needs and opportunities exist to further consolidate the development of the sector. The priorities for USAID/Croatia assistance to civil society assistance, as ranked below, reflect the relative strengths of the Mission, seek to build upon its previous investments,

and take into account the plans and capabilities of other donors in the coming years, e.g. the National Foundation and the EU⁵⁴.

First: NGOs and civil initiatives working at the grass-roots level, help build communities, foster cooperation, and increase trust in local capacities and these efforts should be strengthened.

Specifically:

- The small grants project should be extended particularly in light of USAID/Croatia's leadership in fostering grassroots democracy and the proclivity of EU funding mechanisms to favor formal and larger NGOs.
- During the graduation phase, a shift toward more strategic grant-giving may be necessary, i.e. fewer small grants combined with greater provision of technical assistance to grantees by the partners for local initiatives (PLIs).
- Local capacity in grants management should be reinforced through the gradual transfer of responsibility by AED to PLIs consistent with their capabilities and the identification and capacity-building of an NGO that can serve as a PLI responsible for central Croatia.

Second: Strong local structures are important to development of the NGO sector over the long term and support to date should be consolidated through a multi-faceted capacity building approach.

Specifically:

- The National Foundation and NGOs providing leadership and support to the sector should be able to access AED training and development funds. To best meet future needs of the sector, existing training capacity should be further specialized and professionalized.
- Recognizing that large capacity building grants will be discontinued, smaller grants should be awarded to select NGOs to cover core administrative costs.⁵⁵ Awards should be based on proven leadership benefiting the sector and the existence of viable fundraising plans as assessed by AED.
- If AED takes on another partner(s) for NGO sustainability (PNGO) to provide leadership within new sub-sectors, e.g. economic or rural development, some investment in organizational capacity will be required. The ability of the NGO to provide "matching funds" for capacity building should be assessed.⁵⁶

Third: Effective and creative partnerships that strategically advance social, economic, and political reforms and improve policy dialogue, particularly in terms of EU accession, should be encouraged.

Specifically:

- AED should establish a medium-sized grant category aimed at promoting high profile public advocacy and policy dialogue on issues of national significance and of importance to the NGO sector at large.

⁵⁴ With respect to the EU, which will become the leading foreign donor as USAID/Croatia moves toward graduation, its funding will primarily focus on environmental issues, social service delivery by the NGO sector, and democratic stabilization as well as an initiative to integrate the Roma population. The GOC will also play a leading role in the provision of social services by NGOs.

⁵⁵ The purpose of such funds would be to ensure a gradual transition from USAID/Croatia support, but should be awarded for a period not greater than two years.

⁵⁶ This recommendation is based on the stronger financial base of business or other membership associations relative to NGOs.

- Eligibility for grants should be contingent upon joint action by groups both within and between sectors with an emphasis on creative partnerships, e.g. between NGOs, associations and interest-based groups, labor unions, public institutions, or policy institutes.
- In general, TA and training needs to be provided to NGOs on strategic advocacy, e.g. on such topics as stakeholder analysis, issue identification, priority-setting, policy analysis, message articulation, opening dialogue with public officials, and creative and coordinated approaches to advocacy.

Fourth: Croatian resources are essential to the financial sustainability of the NGO sector over the long term and efforts to promote philanthropy – in coordination with international donors and the National Foundation – should be extended.

Specifically:

- Continued efforts to build leadership among a core group of stakeholders to encourage corporate and individual giving and to facilitate the development of foundations⁵⁷ through participatory processes are recommended.
- Further improvements to the legal framework are required to encourage philanthropy and to support the development of community foundations.
- Prominent public information campaigns and educational efforts that raise public awareness of the role of the NGO sector, foundations, and philanthropy would be useful in further cultivating a culture of giving and stimulating existing philanthropic practices.

9 EXPECTED OUTCOMES AND LEGACIES

As a result of recommended programming conducted during the graduation phase, USAID/Croatia can anticipate the following outcomes and legacies:

- Four partners for local initiatives (PLIs) whose professional capacity in transparent grants management is sufficiently developed that their professional services will be procured by any number of clients including the National Foundation, international donors, private companies (CSR programs), local governments, and community foundations.
- A core group of approximately 150 civil society groups with improved capacity for sustained engagement and action in response to community needs and in support of grassroots democracy.
- Enhanced capability of the National Foundation to perform its mandate and best meet the needs of a dynamic NGO sector.
- Consolidation of the capacities of a core group of NGOs comprising the local infrastructure that supports the NGO sector and various sub-sectors⁵⁸ and the development two additional anchor organizations dedicated to new sub-sectors, e.g. economic or rural development or consumers' rights.
- A Trainers' Association, comprised of NGO training organizations, individual trainers, and consultants, that is dedicated to quality service provision, professional development, mentoring, and marketing on behalf of its members.

⁵⁷ Whether community based foundations or those focused on specific needs, e.g. children.

⁵⁸ The mix of this group may be somewhat different from the one that currently exists to accommodate new partners and to recognize proven performance.

- A minimum of six major advocacy campaigns carried out by various civil society actors working in partnership and addressing issues of national significance, including those central to EU accession.
- Passage of new legislation on foundations and public benefit organizations.
- Increased local support of the NGO sector as evidenced by philanthropic practices by individuals and private companies to supplement grant-making and sub-contracting by the national and local governments and the National Foundation.